ACTION

AGENDA ITEM: Budget and Strategic Planning

ISSUES TO COME BEFORE THE BOARD AT THIS MEETING:

1. Consider priorities for both statewide and regional network programs

2. Consider a planning budget for statewide programs

3. Consider planning budgets and/or allocation model for Regional Library Networks

4. Consider additional elements for LoC and CLSA Plans of Service

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RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD: I move that the Library of California Board adopt program priorities as follows:

Statewide programs: Regional Library Network programs:

1.   1.
2.   2.
3.   3.
4.   4.
5.   5.
                                           6.

RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD: I move that the Library of California Board adopt a preliminary statewide programs budget for FY 2002/2003 according to Exhibit B of this Budget and Strategic Planning Report, with a final budget action taking place following the signing of the 2002/2003 California State Budget by the Governor.

RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD: I move that the Library of California Board adopt a preliminary regional library network programs budget for FY 2002/2003 according to Exhibit B of this Budget and Strategic Planning Report, with a final budget action taking place following the signing of the 2002/2003 California State Budget by the Governor.

BACKGROUND:

Members of the Library of California staff team met with members of the Library of California Board Budget and Planning Committee Fred Gaines (Chair) and John Kallenberg in Sacramento on January 23, 2002 to develop budget strategies for consideration by the Board. Staff was requested to develop a table of mandatory and non-mandatory statewide and regional programs and services (Exhibit A) and a preliminary budget (Exhibit B) for consideration by the Board at its February 2002 meeting.

Budget Team Report

Planning Assumptions:

The LoC Local Assistance Budget will be $3,400,000, per the Governor's January 2002 budget. This is a 15% reduction from the 2001/02 baseline budget.

At the February Board meeting the following actions are needed:

1. Adoption of priorities for both statewide and regional network programs.
2. Adoption of a planning budget for statewide programs.
3. Adoption of planning budgets for the Regional Library Networks.
4. Adoption of additional elements for LoC and CLSA Plans of Service.

LoC Long-range goals as discussed by the budget team:

1. Electronic empowerment of the library user
2. Electronic empowerment of library staff to serve the library user

Guiding questions:

- What choices would promote building the Library of California and increasing membership, and value of membership, as we move ahead into the next year?
- What programs are mandated under the Act?

- What needs to be addressed to bring Library of California and CLSA together?
- How do you measure—programs? Standards? Milestones?
- What should be the balance between statewide and regional services/programs?

Methodology:

1. **Option 1**: Maintain the current ratio between Statewide (20.29%) and regional network (79.71%) programs will be used as a starting point for development of the budget.

   $3,400,000   X   .2029 = $ 689,860
   $3,400,000   X   .7971 = $2,710,140

   Option 2: Adjust the ratio between Statewide and regional network programs according to program priorities (e.g., 25% and 75%).

2. Establish priorities within the statewide programs and the regional network programs.

   - Statewide (not in priority order)
       i. Loan compensation pilot program
       ii. Librarians' Index to the Internet
       iii. California Serials/Periodicals Database
       iv. AMIGOS
       v. CALZIG (currently under LSTA)

   - Regional (not in priority order)
       i. Telecommunications
       ii. Information Services
       iii. Delivery
       iv. Training
       v. Public Awareness
       vi. Administration

3. Encourage Regional Networks and Cooperative Library Systems to move toward the transition from CLSA to LoC with the goal of completing the transition in the 2005/06 fiscal year. Modify both LoC and CLSA plans of service so that networks and systems will be required to describe their planning and implementation of the transition phase.

STATEWIDE PROGRAMS:

Loan Compensation Pilot Program: This program has been implemented for the past two years. Compensation is paid for lending among non-public library members of the LoC and to public libraries for lending to those non-public library members of the LoC

that are ineligible under CLSA. Reimbursement to public libraries for loans to other public libraries, and to most non-public libraries, continues to be made under the CLSA TBR program. Compensation rates are set by the LoC Board for both programs and may differ depending upon transaction load and available funds. As of December 2001, 155 libraries participate in the pilot program. The benefit varies among libraries but it is of interest to the Board that five libraries receive an average of more than 38% of the compensation.

Reimbursement under this program is currently based on the CLSA model, which is developed through a cost study methodology with periodic updates. A new multitype cost study will be conducted during 2002/03 using LSTA funds to develop recommendations for both CLSA and LoC reimbursement levels and to identify any policy considerations for the Board.

In FY 2001/02 staff originally recommended that this program be suspended due to a lack of funds. Ultimately the program was continued for FY 2001/02 after the Board made additional program changes and implemented a reduction in regional library network funds. Staff forecasts an increase in the transaction level from 194,817 in FY 2001/02 to 211,105 in FY 2002/03. The estimated cost for FY 2002/03 would be $816,976, assuming nonpublic library loans to public libraries continue to be paid by CLSA funds. Prorating the reimbursement is the mechanism by which an increased workload can be absorbed without a corresponding increase in funds. The current proration level is 30% (that is, libraries receive 70% of the full level of reimbursement). It is certain that the proration level will increase unless funds are increased to cover the cost of the program due to a growing number of transactions. Staff believes it will be possible to reduce the cost of other programs to hold the proration level at 50% for FY 2002/03 if the Board elects to continue the program. An additional option for managing program costs would be to cap the number of participants at the current level.

Staff currently supports the Loan Compensation Pilot project by maintaining a database of all eligible participants. A membership list may be found at http://www.library.ca.gov/loc/LoC_Members/LoCMembs.PDF. Work is underway to develop a searchable member directory for the CSL Web site.

Librarians' Index to the Internet (lii.org): The Librarians' Index to the Internet (lii.org) is a searchable, annotated subject directory of more than 9,000 Internet resources selected and evaluated by librarians for their usefulness to users of public libraries. lii.org is used by both librarians and the general public as a reliable and efficient guide to Internet resources. Personnel resources include four part-time editorial and cataloging staff (2.3 FTE), 125 volunteers, and a full-time coordinator, Karen G. Schneider. lii.org began as a Gopher resource in 1991, moved to the Web in 1993, and is funded through the Library of California. There are 125 active indexers. Approximately 1.4 million searches are supported annually. The coordinator is attempting to increase the number of selected resources available to reduce the number of failed user searches. Although lii.org is open to anyone, Library of California members can co-brand it with their own Web sites,

creating an interface that is unique to their library. Co-branding has proved to be a popular option and requires an increasingly larger amount of staff resources.

New annotations and Web site addresses are sent out to 12,000 subscribers in 85 countries on a weekly basis.

The current LoC budget for lii.org is $281,600. Staff believes that lii.org can continue to operate with a 15% budget reduction and has received a proposed budget from the lii.org manager at that level. Additional LSTA funds are used from time-to-time to enhance or supplement the site. In FY 2001/02 the State Librarian awarded $99,000 in LSTA funds to pay for search engine improvements, spell checking, and other technical enhancements.

Amigos: In 2000/01 the Board awarded funds to Amigos Library Services to support memberships and cooperative licensing services on behalf of LoC members. Amigos Library Services is a not-for-profit resource-sharing network with headquarters in Dallas, Texas. Currently, Amigos has over 725 member libraries, primarily in the southwestern United States.

Amigos membership entitles a library to:

- Significant discounts from H.W. Wilson, Lexis-Nexis, netLibrary, Oxford University Press and many other online service providers. Amigos has negotiated discounts with over 35 nationally and internationally known database vendors.

- Up to 15% discounts on furniture, equipment, and supplies from nationally known library supply vendors.

- Member rates for accessing Imaging and Preservation Services. Amigos Imaging and Preservation Services provides training, consulting, and disaster planning and recovery services. Amigos members receive these services at lower rates than non-members.

- Member rates for Training. Amigos offers growing list of distance learning opportunities, immediately available to Library of California members.

Amigos is currently evaluating LoC member needs and coordinating statewide cooperative purchases for other electronic information resources specifically for California libraries. Additional information may be found at the Amigos Web site, http://www.amigos.org/california.

As of February 2002, staff was operating under the assumption that there was sufficient funding with Amigos to carry the project through 2002/03 without an additional appropriation from the LoC Board.

California Periodicals/Serials Database: This program makes serials holding information available to the California library community and library users through the University of California's *Melvyl* catalog, http://www.melvyl.ucop.edu/. The database is merged from multiple input sources including public libraries (CULP), Medical Libraries (SERHOLD) and Academic Libraries (CALLS).

In FY 2002/03 the State Librarian agreed to fund the major portion of this project, the processing of holdings information from participating libraries, under LSTA while staff looks for a lower cost solution. As of February 2002 staff has not been able to secure consulting services to investigate this issue. After further analysis staff will also consider recommending that LSTA funds be used to evaluate the usefulness of the program to libraries and library users leading to possible recommendations to maintain, reduce, or eliminate the program. Additional information will be provided to the Board at its April 2002 meeting. In the meantime, the annual cost to the LoC is $65,000 to the University of California Digital Library for loading and access via Melvyl.
Staff is investigating whether some portion of the cost of the periodicals/serials database program might be funded under the CLSA Statewide Database program.

Z39.50 Server Software Grants: In FY 2001/02 the Board made a decision to suspend $7,500 telecommunications program grants to libraries to support their implementation of Z39.50 server software. This software is used to access the catalog under a standard telecommunications protocol and is essential for the development of regional and statewide access and interlibrary loan. Currently, public libraries are still eligible for $7,500 Z39.50 server software grants under the California Library Services Act (CLSA) Statewide Database program. The Board may elect to re-start the Z39.50 server software grant program in FY 2002/03, making grants again available for eligible non-public libraries.

CALZIG: This program is currently funded under LSTA. The purpose is to develop a infrastructure for identifying linked systems catalogs (i.e., accessible via the Z39.50 protocol), testing the connections on a daily basis, developing specifications for Z39.50 implementation and addressing security issues. CALZIG has the potential of becoming a LoC-funded program if it can be demonstrated that it is critical to the development of statewide access to library catalogs and electronic resource sharing. Although CALZIG is a potential LoC statewide program it is not recommended that it be brought into the LoC during FY 2002/03.

REGIONAL PROGRAMS:

Regional Library Networks must address the following program priorities in their 2001/02 and 2002/03 Plans of Service:

18841. (Administration)
(a)   Each regional library network shall establish a regional library council….Duties of the regional network council include overall administrative responsibility for the network, adopting an annual plan of service, assuring the appropriate expenditure of funds, and submitting annual budget proposals to the state board for implementation of the provisions of this article.
(b)   Each regional network council shall elect from its membership a representative board to carry out its policies.
(c)   Administration and management of the regional library network shall provide the vision and leadership necessary to perform the functions and deliver the services in a timely and satisfactory manner.

18842. (Telecommunications Infrastructure)
Each regional library network shall do all of the following:
(a)   Make available a telecommunications system for the transfer of information and communications among its members.
(b)   Provide regional communications based upon the most effective methods of exchanging information among its members.
(c)   Provide online access to the information files, resources, and bibliographic records of its members which may be accessed regionally and statewide.

18842. (Regional Delivery)
Each regional library network shall do all of the following:

(c) Provide intra-regional delivery service based upon the most cost-effective methods for moving materials among its members.

18845. (Training and Continuing Education)
Each regional library network shall provide opportunities for training and continuing education activities that encourage the most effective use of the resources and services authorized under this chapter, and that respond to the needs of its members in the effective delivery of services.

18846. (Information and Referrals)
 (a) Each regional library network shall provide information and referrals to answer requests that are beyond the capacity or capability of its members by accessing the resources and expertise of other libraries, improving general reference service in participating libraries, and improving reference service to respond to the needs of the underserved populations in the region.

18847. (Public Awareness)
Each regional library network shall augment the public awareness programs of its members by providing public relations packages to them for customization and dissemination.

Priorities:

Each Regional Library Network has had the flexibility to address these program areas as it sees fit. Most have done the job well. However, as the Board considers implementing its regional network program with reduced funds in 2002/03 staff recommends that it consider prioritizing within these program elements. There are several concerns:

1. That existing assets be fully supported through the entire fiscal year.
2. That priorities reflect those program elements most critical to the successful transition from CLSA to LoC.

3. That programs that support the goals outlined above related to electronic access by users and library staff be sufficiently funded.

At the LoC Regional Contacts meeting in Oakland on January 29, staff asked the group to provide input on their program priorities. Generally, the group agreed that Administration, Training and Continuing Education, Information Services, and Delivery were all very important. There was a general consensus that Public Awareness was the least important at this time. Telecommunications is important, but there was some consideration of moving that program from a regional to a statewide approach, perhaps with the assistance of the participants of the federally funded CALZIG (California Z39.30 Interest Group). Several networks reported difficulties with implementing their linked systems projects and felt that a statewide approach might yield better results. It was also noted that linked systems projects are only part of the overall telecommunications services supported by the regional networks. Other services include Web sites, mailing lists and other forms of communications.

Transition:

Staff notes that four LoC priority areas – Communications, delivery, and information services, and administration - have analogs in the CLSA Cooperative Library System programs. Therefore, staff further recommends that the Board direct the regional library networks and the CLSA systems to address through their Plans of Service how these service programs will be brought together with the goal of successful transition by the start of the 2005/06 fiscal year.

Transition issues to be addressed include:

- Developing a definition of Information Referrals and/or reference, delivery, and telecommunications services common to both the LoC Regional Network and the CLSA system.

- Identifying standards or measures by which LoC and CLSA information, delivery, and telecommunications programs can be evaluated on an equal basis.

- Identifying the service level(s) that are supported by the state under both LoC and CLSA, exclusive of additional revenue sources.

- Development of plans to provide equitable services to public libraries and non-public libraries including, if necessary and allowable, the capping of LoC memberships to ensure that basic services can be provided to regional network members.

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